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OTHER FUNDS AND PROGRAMMES

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Exploration for Precious and Base Metals in Honduras (HON/NR/83/001)

Report of the Administrator

I. BACKGROUND

1. The Administrator informed the Governing Council at its thirty-third session, in June 1986, of his approval of a Minimum Work expenditure for the project entitled "Exploration for Precious and Base Metals in Honduras" in the amount of $1.39 million. The Administrator also recommended the approval by the Governing Council of possible additional expenditure of $1.0 million to enable further activities to be carried out following the Minimum Work.

2. The Governing Council, in paragraph 3 of its decision 86/37 of 27 June 1986, approved the project Exploration for Precious and Base Metals in Honduras (HON/NR/83/001) involving a total possible expenditure of $2.39 million.

3. Based on the Minimum Work success in the Yuscarán area (Honduras) exploration, the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) started the second phase, i.e., further activities beyond Minimum Work. The completion date for the further work was then advanced by one year. This extension plus inflation necessitated an increase of $331,000 from the initial budget prepared in 1985.

4. On 10 November 1989, the Administrator approved the allocation of an additional $331,000 to cover this anticipated increase in costs, under the supplementary short-term funding authority, as provided in section I, paragraph 2,

of Governing Council decision 81/8 of 18 June 1981. At the end of 1989, the Fund delineated the Yuscarán gold and silver deposit containing approximately 1.5 million tonnes with an average grade of 10.9 grams per tonne of gold. The Government has already initiated negotiations with the private sector for the development of the Yuscarán deposit.

5. In the early stage of the project, limited work was carried out in the search for base metal deposits in the Quita Gana area. Although results were encouraging, most of the exploration activity was directed towards the Yuscarán prospect area where the probability of success was considered to be higher. However, based on the most recent interpretation of results at Quita Gana, there are clear indications of the existence of a significant base metal deposit. In order to define this deposit further and to bring it closer to the production stage, the Fund will undertake an extensive surface and underground drilling programme with follow-up testing and analysis. This will require an additional allocation of $562,000, which was approved by the Administrator on 23 January 1990, in accordance with section I, paragraph 2, of Governing Council decision 81/8, with the understanding that this would be reported to the Council at its next regular session.

II. FINANCIAL DATA

6. As noted above, the total amount of the UNRFNRE allocation to the project (HON/NR/83/001) was increased on 10 November 1989 and 23 January 1990 from $2,390,000 to $3,283,000. The following is the calculation resulting in this figure:

UNRFNRE allocation		$
(a)	Minimum Work/Subsequent work approved in June 1986	2 390 000
(b)	Additional approval, 10 November 1989	331 000
(c)	Additional approval, 23 January 1990	562 000
	Total UNRFNRE allocation	3 283 000

It should be noted that in addition to the above allocation, the Government of Italy has provided co-financing of $1.6 million for drilling activities in the Yuscarán region.

7. In light of the above, the Administrator recommends that the Governing Council take note of the two additional approvals by the Administrator of $331,000 on 10 November 1989 and $562,000 on 23 January 1990 for the project, Exploration for Precious and Base Metals in Honduras (HON/NR/83/001), involving a total possible expenditure of $3,283,000.

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OTHER FUNDS AND PROGRAMMES

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Exploration for Base Metals and Gold in Peru (PER/NR/82/001)

Report of the Administrator

I. BACKGROUND

1. The Administrator informed the Governing Council at its thirtieth session, in June 1983, of his approval of a Minimum Work expenditure for the project entitled "Mineral Exploration for Base Metals and Gold in Peru" in the amount of $1.7 million. The Administrator also recommended the approval by the Governing Council of possible additional expenditure of $2.7 million for further activities following the Minimum Work.

2. The Governing Council, in paragraph 1 of its decision 83/20 of 23 June 1983, approved the project Mineral Exploration for Base Metals and Gold in Peru (PER/NR/82/001) involving a total possible expenditure of $4.4 million.

3. The objective of the project was the evaluation of the possible economic potential of placer gold in Area I: San Antonio de Poto (Gold) and sulphide zinc mineralization in Area II: Las Orquídeas (Zinc). Work in the Las Orquídeas area was completed early in the project, and the Fund then concentrated its efforts on the very promising San Antonio de Poto (Ananea) area. The efforts of the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) resulted in a major discovery.

4. In late 1987 the Government of Peru requested the incorporation of two previously excluded areas (EA.1 and EA.2) in the project. The Fund agreed to undertake the required exploration in these two areas since they represented the

best potential for a significant increase in mineral reserves. Additionally, the economic assessment of these areas was crucial to the Government's plans for mine expansion.

5. Extension of the above project areas represented an increase of 36 per cent in the actual Zone of Subsequent Work. Work in the new areas includes the drilling of nearly 162 boreholes, 500 tonnes of sample material processed, and 4,700 samples analysed. With clear evidence of a discovery of major economic potential ready to go into production in Ananea, a pilot plant has been constructed to determine the processing and recovery parameters of production. This additional work increased the expenditure by $367,000 which was approved by the Administrator on 10 November 1989, in accordance with section I, paragraph 2, of Governing Council decision 81/8 of 18 June 1981.

II. FINANCIAL DATA

6. As noted above, by including the pilot plant, the total expenditure of the project is expected to increase by $367,000 as follows:

UNRFNRE ALLOCATION	$
Minimum Work/Subsequent Work approved in June 1983	4 400 000
Based on the additional expenditure (2 additional areas + pilot plant) allocation approved by the Administrator on 10 November 1989	367 000
Total possible cost of the project	4 767 000

7. In light of the above, the Administrator recommends that the Governing Council take note of the additional approval by the Administrator of $367,000 for the project, Exploration for Base Metals and Gold in Peru (PER/NR/82/001), involving a total possible expenditure of $4,767,000.